

VZCZCXRO3409
RR RUEHAG RUEHROV RUEHSL RUEHSR
DE RUEHUB #0631/01 2921245
ZNY CCCCC ZZH
R 191245Z OCT 09
FM USINT HAVANA
TO RUEHC/SECSTATE WASHDC 4848
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RUEHBS/USEU BRUSSELS
RUCOWCV/CCGDSEVEN MIAMI FL
RUEAIIA/CIA WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUCOGCA/COMNAVBASE GUANTANAMO BAY CU
RHMFISS/HQ USSOUTHCOM MIAMI FL
RHMFISS/JOINT STAFF WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 HAVANA 000631

SIPDIS

DEPT FOR WHA/CCA

E.O. 12958: DECL: 10/18/2019

TAGS: [ECON](#) [EAGR](#) [PGOV](#) [PREL](#) [PINR](#) [CU](#)

SUBJECT: THE END OF THE "PAPA" STATE IN CUBA? THE GOC TELLS
CUBANS TO FEND FOR THEMSELVES

REF: HAVANA 490 ("CUBA'S ECONOMY: WHERE TWO PLUS TWO
EQUALS THREE")

HAVANA 00000631 001.2 OF 003

Classified By: COM Jonathan Farrar for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY. The Government of Cuba (GOC) appears to be seriously considering removing, or at least restricting, its national ration card system (libreta), one of the main pillars, along with education and healthcare, of Cuba's socialist state. The libreta is also one of the GOC's more effective tools to micro-manage nearly every aspect of its citizens' lives. Facing a serious financial crunch and low productivity, the GOC officially put all subsidies on the table in President Raul Castro's August 1 speech to the National Assembly (Reftel). The experiment to end free workplace lunches is the latest sign, along with the distribution of idle land, the right to fix one's own house, introducing a merit-based pay system, permission to work more than one job, and general encouragement of discussion on how to solve local problems, that the GOC is preparing Cubans to do officially what many already do unofficially: fend for themselves. The next question is how far is the GOC willing to expand the private sector in order to fill the gap. END SUMMARY.

STARTING WITH LUNCH

¶2. (SBU) On September 25, the official daily Granma confirmed rumors that, on an experimental basis, the GOC would no longer provide heavily subsidized lunches at four central government ministries starting October 1. Instead, the GOC will provide each worker with 15 pesos (67 U.S. cents) per workday to spend at local state-run or privately licensed food vendors. If successful, the GOC will roll out this plan, or something similar, to all of the 24,700 workplace cafeterias that feed 3.5 million government workers across the nation. The 15 peso daily stipend represents, on average, a 75% pay raise to nearly three-quarters of Cuba's labor force. For many employees, the stipend more than doubles their daily wage.

¶3. (SBU) The subsidized lunches cost only 1 peso (4 U.S.

cents) but workers frequently complain of poor quality, limited variety, and suspect hygiene. The new stipend was designed to cover the cost of one of the cheaper non-subsidized lunch options, although many Cubans will no doubt find ways to spend less and supplement their otherwise paltry income with the balance. It is also an incentive for Cubans to show up at work and take less vacation and sick time since they only receive the stipend on days they are present.

¶4. (SBU) The official reason for the end of the subsidized lunch program is to save foreign currency by cutting imports and stimulating local demand. The press quotes the high cost of the subsidy (\$350 million per year in imports alone, plus local administration and supplemental food costs), however the new measure is likely to be just as expensive (67 U.S. cents for 3.5 million workers over a low estimate of 240 workdays = \$567 million). Another GOC explanation for the change is that the ministry-operated cafeterias are inefficient and funnel supplies to the black market.

¶5. (SBU) If expanded across the country, lunch stipends will inject millions of dollars into the local economy creating significant inflationary pressures. This measure will also create additional demand for an expanded private sector. Cuban economist Oscar Espinosa Chepe pointed out that unless the GOC starts licensing more private vendors, the current problems with inefficiency and corruption will simply shift from the ministry-operated cafeterias to the state-operated food service providers. In fact, at least one of the recently closed ministry-operated cafeterias was simply taken over by a state-operated restaurant. As of yet, the GOC has not made any announcement regarding new licenses for private food service providers.

HAVANA 00000631 002.2 OF 003

DISCUSSING THE LIBRETA AND OTHER TABOOS

¶6. (SBU) October 15 concluded the GOC-mandated 45 days of "debate" at workplaces, universities, and community organizations to discuss, among other things, the possibility of eliminating or at least restricting Cuba's food ration system, public transportation, utilities, and other heavily subsidized goods (not including healthcare, education, or social security). Increasing productivity and savings, in addition to ending workplace corruption and black market activity are also among the discussion items. (Note: There are rumors that the GOC is also discussing the end of Cuba's two currency system, which is a publicly stated goal but always mentioned as at least 4-5 years down the road. End Note)

¶7. (SBU) According to a Reuters report, the Communist Party has been distributing an instruction guide for the discussions, encouraging participants to debate freely on economic efficiency and even private sector participation, but letting it be known that questioning the one-party political system or calling for the restoration of capitalism are off limits. This discussion follows a similar process as in 2007 when Raul Castro called for meetings across the country to analyze the country's problems and offer solutions. According to Espinosa Chepe, the 2007 debates created great expectations for structural changes that are still wanting. Few expect the results of this year's debates to be any different.

¶8. (SBU) Amidst the formal debates, the official press has uncharacteristically published letters to the editor both in favor and against changes to the food ration system or libreta. On October 9, the GOC position was made known through a full-page article by Lazaro Barredo Medina, the editor of Granma and a member of the National Assembly. Barredo wrote that the libreta was once necessary but has now

become an impediment to Cuba's economic goals. He said that the country should guarantee access to a food basket for low income Cubans, but otherwise remove the subsidy to stimulate Cubans to work harder in order to be rewarded with better salaries.

¶9. (SBU) The libreta provides 10 to 15 days worth of basic food (rice, beans, bread, etc.) and supplies (tooth paste and soap, when available) at heavily subsidized prices (the entire basket costs less than \$1.50 per person per month). The quality and quantity of items has been declining for years. Nevertheless, most Cubans still rely heavily on the libreta for basic nutrition. Retirees and Cubans without access to foreign currency (through remittances or work for a foreign company or embassy) often must stretch their rations to last the whole month. Outside of the libreta, Cubans take their \$18 average monthly salary and look for food at the non-subsidized farmers' markets or, if possible, the stores that sell products only in convertible pesos (worth 24 times the peso used to pay salaries.) The subsidized prices and lack of affordable alternatives has created an extensive black market supplemented by whatever workers can pilfer from their workplaces.

TAKE CARE OF YOURSELF

¶10. (SBU) Turning the libreta into a means-tested system would be a further sign that Cuba's socialist state is no longer willing or able to provide for each and every citizens' basic needs. Historically, those needs included: education, healthcare, social security, food, employment and housing. After last year's brutal hurricane season and the latest economic crisis, the GOC appears to be saying that enough is enough. Cuba has a housing deficit of well over 500,000 homes and the GOC has long given up any claim to provide housing for everyone; earlier this year it allowed

HAVANA 00000631 003.2 OF 003

individuals to fix their own houses. GOC agricultural reforms like the leasing of idle land and permission to buy supplies are placing a bit more responsibility and burden on individual farmers. The GOC is also trying to introduce a pay-for-performance system, with limited success, that may put some government-provided salaries at risk. Earlier this summer, the GOC granted Cubans permission to work more than one job and for students to work part-time. Now, removing lunch subsidies and talking about removing or restricting the libreta may finally take the GOC out of the mass catering business.

¶11. (SBU) The GOC, both directly and indirectly through the official press, is also speaking more openly about individual responsibility and rethinking Cuban socialism. In September, revolutionary leader Ramiro Valdes said in characteristic gruff manner that people should solve their own problems and not expect the "Papa State" to resolve them. Barredo in his Granma article spoke out against paternalism and said Cubans have to get out of the habit of going to a store simply to pick up government handouts rather than buy goods. The GOC's pushback has even touched on healthcare as a TV moderator recently commented that many individuals have come to trust the Cuban healthcare system so much that they now neglect even the most basic sanitary practices.

NOT ALL CUBANS ARE EQUAL

¶12. (SBU) The Cuban state claims to offer every citizen basically the same level of education, healthcare, social services and basic goods, even if that level has deteriorated in recent years. The proposal for a means-tested ration system is recognition of the economic stratification in Cuban society that has taken place over the past few decades as the

result of a little more space for private sector activity, remittances, black market earnings and significantly higher salaries from foreign firms and embassies. In addition, Raul Castro and other Cuban leaders have been repeating the phrase that an egalitarian society does not mean that everyone receives equal pay and benefits, but rather that Cuba is a society of equal opportunities.

COMMENT

¶13. (C) The GOC appears to be urging Cubans, even pushing them, to accept the notion that they need to fend for themselves. Most Cubans have been doing so for years with the help of family overseas and a pervasive black market. It would seem that some limited expansion of the private sector is required to complement reductions in state subsidies, but complaints about corruption in the supply-and-demand farmers' markets is raising doubts as to how far the GOC is willing to go.
FARRAR